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C O N F I D E N T I A L ANKARA 001967

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TAGS: [ENRG](#) [ECON](#) [EPET](#) [AJ](#) [GG](#) [ETTC](#) [TU](#) [IZ](#)

SUBJECT: IMPACT OF IRAQ OPERATION ON BTC PIPELINE, TPAO

REF: ANKARA 400

Classified by EconCouns Scot Marciel, Reason 1.5 (b,d)

11. (C) BOTAS General Manager Gokhan Bildaci and BP's local BTC Co. President Yasar Latifov told us March 25-26 the Iraq Operation thus far had not had a serious impact on BTC; however, both said they were very concerned that the extra burden the war had placed on Turkey's infrastructure and construction companies could significantly delay BTC construction in Turkey. For example, they said, the Turkish railway system was at full capacity transporting military-related equipment for both the U.S. and Turkish military. As a result, the national railway company had been forced to delay delivery of the BTC pipe provided by the Turkish Pipe Consortium, which was produced in the Western town of Izmet and was to be transported by railway to the pipeline route. Bildaci said it was not clear how long this delay would continue.

12. (C) Bildaci and Latifov both said the Iraq Operation had thus far not affected the delivery of BTC pipe at Iskenderun port, as they had previously feared (reftel). However, pipe storage at Iskenderun was nearly full, given delays by the railway company. (Note: Pipe from international sources is generally being delivered to Turkey at Iskenderun, and then transported to the pipeline route via rail.) Bildaci said the major Turkish construction companies that he had sub-contracted had recently told him they may not be able to begin BTC construction work April 15 as planned due to "unspecified" work they may have to do for the Turkish military at that time.

13. (C) Both Bildaci and Latifov said they were also concerned that "construction support" would be delayed because of the war. For example, BOTAS and BTC Co had planned to build many construction support camps along the pipeline route. However, much of the equipment needed for these sites, such as portacabins, was the same equipment currently being used by the U.S. and Turkish militaries, which they expected would create shortages and delays.

14. (C) The Turkish Petroleum Agency's (TPAO's) General Director for International Projects Orhan Duran told econoff March 26 that the Iraq Operation had thus far not had a significant impact on BTC, or on TPAO's other operations. Duran said as long as the Iraq Operation did not affect TPAO's domestic oil production -- which he did not expect would happen -- or cause oil prices to fall below USD 18-20 per barrel, it likely would not affect TPAO's equities in Turkey or the region.
PEARSON